

CURRENTS is made possible with the financial support of:



Brandon, Manitoba
in Profile

Consistent
Performance:
Manitoba Economic
Profile and Forecast

Taking Manitoba to
the Next Level

CanadaWest
FOUNDATION

Our Vision
A dynamic and prosperous
West in a strong Canada.

Our Mission
A leading source of strategic
insight, conducting and
communicating non-partisan
economic and public policy
research of importance to
the four western provinces,
the territories, and all
Canadians.

CURRENTS Western Canada's Monthly Economic Bulletin

December 2007 a **Canada** Foundation publication

Monthly Highlights

Although employment in Canada increased in November, the national unemployment rate went up slightly to 5.9% as more people entered the workforce. There were notable increases in employment in BC as well as Saskatchewan, a province in which employment growth has been modest.

Inflation slowed considerably in Manitoba, while consumers in Alberta faced a slight increase in prices. The inflation rate in the other two western provinces edged downward. Alberta continues to post the highest rate of inflation and Saskatchewan

remains the only other western province where inflation exceeds the national rate.

Retail sales in Saskatchewan continued on their upward trajectory, with the province recording the largest month over month increase in retail sales in Canada. Compared to last year, retail sales so far in 2007 are up 11.5% in Saskatchewan, 9.9% in Alberta, 8.8% in Manitoba, and 7.0% in BC. The increase in the rest of Canada is substantially lower at 4.1%.

January to September wholesale trade in Saskatchewan is up 15.9% from the same

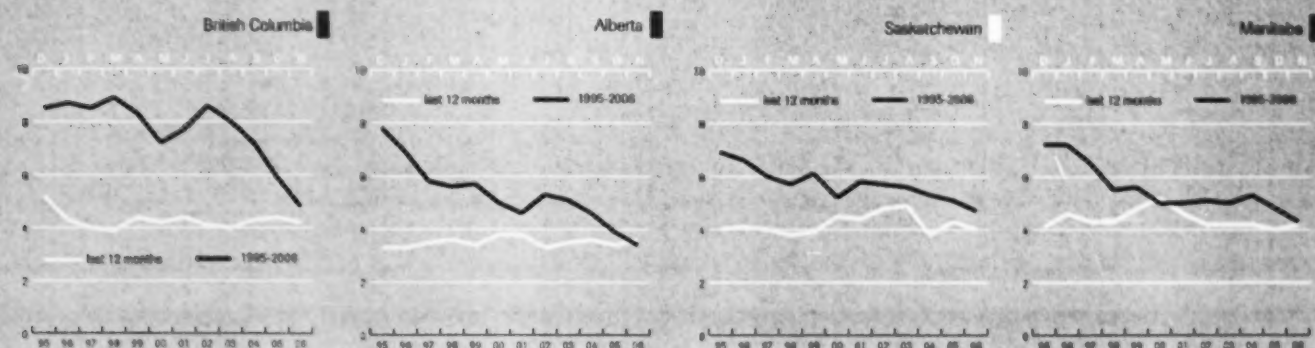
period last year, compared to a western Canadian average of 6.8%.

The Canadian manufacturing sector has continued to weaken, with sales of manufactured goods hitting the lowest point since October of last year. Manufacturing sales in Manitoba—where year over year growth is still relatively strong—decreased for the third consecutive month. Saskatchewan was a bright spot in the West—September manufacturing sales were up 3.7% over August and exceeded \$1 billion for the first time.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Employment (SA, 000s)	2,298.4	1,970.0	507.4	604.8	17,028.6	November
% change, yoy	4.0	3.0	1.4	2.9	2.7	
Unemployment rate (SA, %)	4.2	3.6	4.0	4.2	5.9	November
Participation rate (SA, %)	66.7	73.9	69.9	69.9	67.8	November
Average weekly earnings (SA, \$)	764.58	845.02	730.67	709.12	772.52	September
% change, Jan-Sep 2007 average, yoy	2.8	4.8	4.0	4.0	3.1	
CPI inflation, annual (%)	1.6	5.0	3.6	1.9	2.4	October
Building permits: residential (SA, \$ millions)	848.4	640.3	88.2	70.7	4,042.8	October
% change, Jan-Oct 2007, yoy	17.7	13.0	80.8	12.6	11.0	
Building permits: non-residential (SA, \$ millions)	272.5	750.6	40.4	42.0	2,623.7	October
% change, Jan-Oct 2007, yoy	1.2	24.4	3.1	3.1	19.5	
Housing starts (SAAR, 000s)	40.9	45.9	5.3	6.6	227.6	October
% change, Jan-Oct 2007, yoy	3.7	2.2	64.5	11.8	0.7	
Retail trade (SA, \$ millions)	4,730	5,097	1,108	1,191	34,442	September
% change, Jan-Sep, yoy	7.0	9.9	11.5	8.8	5.7	
Wholesale trade (SA, \$ millions)	4,337	5,650	1,292	1,093	43,650	September
% change, Jan-Sep, yoy	5.2	5.9	15.9	8.0	5.0	
Manufacturing sales (SA, \$ millions)	3,517	5,610	1,027	1,353	50,403	September
% change, Jan-Sep, yoy	2.1	1.1	1.7	10.6	1.3	

Source: Statistics Canada. yoy=year over year; SA=seasonally adjusted; SAAR=seasonally adjusted at annual rates

Unemployment Rate (%)



Did you know?

Between January and July, Canada's exports to China increased 43% from the same period in 2006. Imports from China rose 17%.

The number of women who registered for apprenticeship training more than tripled between 1992 and 2005. However, women account for only 1 out of 10 registrants.

About one-third of adult Canadians access government information and services online.

Charitable donations reported by Canadian taxpayers went up 8.3% to \$8.5 billion in 2006, while the number of donors fell 1.4% to 5.8 million.

According to the 2006 Census, immigrants make up one-fifth (19.8%) of Canada's population, compared to 27.5% in BC, 16.2% in Alberta, 13.3% in Manitoba and 5.0% in Saskatchewan.

Canada West Foundation

City in Profile: Brandon, Manitoba

Brandon—nicknamed the Wheat City—is located approximately 200 kilometers west of Winnipeg, very close to the geographical centre of North America.

It is Manitoba's second largest urban centre, with a population of over 42,000. Its population increased 4.5% between the 2001 and 2006 Census, compared to Manitoba's increase of 2.6%.

Agriculture continues to be an important part of Brandon's economy. Due to its location, Brandon is the service centre for the large agricultural region that surrounds the city. Approximately two-thirds of Manitoba's total farmland is located within a 130 km radius of the Wheat City.

Brandon also has a vibrant manufacturing sector. The largest manufacturing employers include Maple Leaf Pork (hog processing), Koch Fertilizer (nitrogen fertilizer), and Behlen Industries (Canada's largest manufacturer of steel building systems). There are a number of retail developments underway within the city, and residential construction remains strong.

Brandon takes great pride in its small town atmosphere but is able to offer many of the amenities of a larger city. It has twice been voted one of the top ten cities in Canada in which to live.



BEHIND THE NUMBERS

Employment growth by industry through November of this year varies substantially across industries. In general, growth has been stronger in service industries. However, there has been solid gains in the construction sector across the West.

In BC, significant gains were recorded in trade, construction, information, culture and recreation, and transportation and warehousing. Of the six industries in which employment contracted, none had large scale reductions. The largest employment gains in Alberta occurred in trade, construction, health care and social assistance, and public administration. Educational services and manufacturing had large reductions. Employment growth in Saskatchewan has been modest compared to other western provinces. Construction and manufacturing recorded healthy increases, while trade and agriculture have seen employment fall considerably. In Manitoba, large gains were seen in professional, scientific and technical services; finance, insurance, real estate and leasing; and construction. Trade and health care and social assistance stood out in terms of reductions in employment.

Employment Growth by Industry, January to November 2007

	BC		AB		SK		MB	
	#	%	#	%	#	%	#	%
Total	79,900	3.6	61,600	3.2	4,600	0.9	17,200	2.9
Agriculture	3,900	10.9	9,400	19.6	4,000	8.4	1,200	-4.1
Natural resources	1,400	2.9	5,900	4.1	400	1.8	200	-4.5
Utilities	3,200	34.4	1,100	-5.2	1,000	25.0	300	8.0
Construction	20,500	11.0	15,900	8.8	3,000	9.8	5,600	18.4
Manufacturing	-200	-0.1	-11,800	-7.8	3,500	12.2	2,300	3.3
Trade	30,100	8.8	25,000	9.2	5,000	8.1	7,400	8.0
Transportation & warehousing	11,000	9.4	-1,300	-1.2	-1,400	-5.8	-380	-0.9
Finance, insurance, real estate & leasing	5,000	3.4	7,000	6.7	1,100	4.1	5,900	18.2
Prof. scientific & tech. services	-1,300	-0.8	7,500	5.3	1,800	9.0	7,700	38.5
Business, building & other support serv.	4,700	4.3	5,400	7.7	700	5.9	200	1.1
Educational services	-2,700	-1.7	-20,800	-14.8	900	2.3	-1,000	-2.1
Health care & social assistance	2,700	1.1	12,800	7.1	800	1.3	4,900	8.4
Information, culture & recreation	15,000	14.2	9,000	13.5	300	1.5	3,200	14.3
Accommodation & food services	1,200	0.7	1,000	4.4	800	2.6	3,500	10.0
Other services	-200	-0.2	8,900	6.6	-300	-1.4	2,800	10.4
Public administration	7,800	8.7	11,300	14.7	1,200	4.5	3,100	9.0

Source: Statistics Canada

MONTHLY FEATURE

CONSISTENT PERFORMANCE: Manitoba ECONOMIC PROFILE AND FORECAST



Assiniboine river valley in Brandon, Manitoba. Photograph by Sandy Black

In many ways, Manitobans can be pleased with their province's economic performance. Manitoba is outperforming the national economy on a number of key measures. Its unemployment rate has averaged 4.4% in 2007 and remains well below the national rate, which has hit a 33-year low. Employment growth so far this year has outpaced the country as a whole.

The construction sector—a key driver of growth in recent years—remains very active. A number of large-scale projects are in the works and 2007 has been a banner year for housing starts. Winnipeg's housing market has been particularly strong, both in terms of housing starts and resale activity. The Conference Board of Canada is predicting that Winnipeg will be the third fastest growing city economy in 2008, behind Saskatoon and Calgary.

Despite the laundry list of challenges facing Canadian manufacturers, Manitoba has held its own in this area. Retail sales growth in the province is twice that of central and eastern Canada.

With real economic growth of 3.2% in 2006, Manitoba fared better than all but three provinces. But while recent trends are positive, for a number of years leading up to 2006, Manitoba's rate of real economic growth lagged behind the country as a whole. Employment growth over the past 10 years has been less than stellar. The province's low unemployment rate is due in part to slow labour force growth and the large number of working age Manitoba residents who have moved to other provinces.

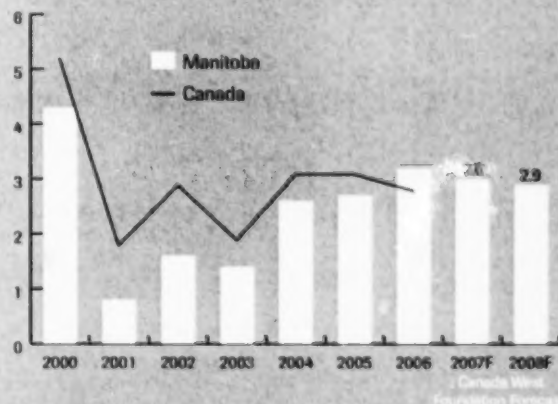
Although Manitoba is poised to outperform the national economy in terms of economic growth this year and next, it will have a tough time keeping up to the other western provinces. If it is not doing so already, Saskatchewan is pretty close to firing on all cylinders. Economic power has shifted from central Canada to the West, with Alberta and BC driving the country's prosperity. Public policy developments such as the implementation of the BC-Alberta Trade, Investment, and Labour Mobility Agreement (TILMA) will only increase the economic clout of Canada's two westernmost provinces. The agreement—which came into effect earlier this year—eliminates unnecessary economic barriers between the two provinces.

The Government of Manitoba has introduced a number of tax reductions in the past few years, but so have other provinces. A common refrain heard from the Manitoba business community is that the province must take more aggressive action on taxes.

The resiliency of the diversified Manitoba economy will be tested on many fronts. The current strength of the Canadian dollar presents difficulties for manufacturers and exporters. The future performance of the US economy is uncertain, and a recession has not been ruled out. Labour shortages continue to be a thorn in the side of Manitoba businesses and employers. Manitoba has lost more than its share of residents to other provinces—notably Alberta—in recent years. However, housing affordability and availability have reduced Alberta's attractiveness, something that should work in Manitoba's favour. Manitoba's success in attracting international immigrants has offset the net loss of people to other provinces, and provided a boost to the workforce.

Despite challenges and risks, the overall economic outlook for the province is favourable. The Canada West Foundation is forecasting real GDP growth of 3.0% for 2007 and 2.9% for 2008.

Real GDP Growth (Annual % change, chained 2002 dollars)



Source: Statistics Canada and Canada West Foundation

Taking Manitoba to the Next Level

by Brett Gartner, Senior Economist

The Government of Manitoba recently issued a press release explaining how the province is now attracting more young people overall, which includes interprovincial migration and international immigration. Between 1999 and 2007, 4,080 more young people between the ages of 15 and 24 came to Manitoba than left, compared to a net loss of 3,463 between 1991 and 1999. There is no doubt that this is good news.

Manitoba's success in attracting immigrants is the primary reason for this reversal. Between 1998 and 2006, the province more than tripled its number of immigrants. The lion's share of this increase is due to the Provincial Nominee Program, a partnership with the federal government in targeting immigrants with specific skills and expediting their immigration to the province. Within Canada, Manitoba has been a leader with respect to usage of the Nominee Program. Roughly half of all provincial nominees who come to Canada are destined for Manitoba. Relative to provincial population, Manitoba attracts almost four times more immigrants than Saskatchewan, and 40% more than Alberta.

The Manitoba government plans to build on this success and has set an ambitious new goal of doubling the number of immigrants over the next decade. Canada was built on immigration and immigrants continue to make an invaluable contribution to our society and economy.

But as important as immigration is, there is more to this story, not all of which is positive. International immigration is just barely offsetting the loss of people to other provinces. Over the past 10 years, Manitoba's population went up 50,600. But its net loss of people to other provinces during this period was 45,900.

The majority of residents lost to other provinces are young people in the early stage of their working lives. If Manitoba wants to grow and prosper, it can't continue exporting its number one resource—educated and skilled young people.

There are some signs that the situation may be improving. The number of people that Manitoba lost to other provinces improved in 2007 compared to the previous two years. And while the number of Manitoba residents moving to Alberta has been significant in recent years, the number of people moving from Alberta to Manitoba more than doubled from 2006 to 2007.

Relatively good economic conditions in Manitoba will help the province retain and attract people. Recent wage gains, if prolonged, could also help keep people in the province.

Nonetheless, more needs to be done to retain young Manitobans.

Why have so many young people from all over Canada chosen to move to Alberta? Arguably, the number one reason is economic opportunity—good paying jobs and lots of them. Further, ambitious young entrepreneurs view Alberta as a place of opportunity.

Alberta's business and investment climate—its low overall tax burden and business friendly regulatory system—are important factors. But, contrary to the opinions of many that champion free enterprise, Alberta's prosperity is not entirely due to its business and investment environment. Massive deposits of oil and gas haven't hurt.

The point of this is not to suggest that Manitoba try to copy Alberta. Sure, more effort should be put into making the province a more attractive place to invest—reducing the tax burden, reforming the tax system and improving its overall fiscal position.

At the same time, Manitoba must chart its own course, think big and build upon its many strengths, not the least of which is its highly diversified economic base. Manitoba must take the long-view, look beyond the next few years to where it wants to be in 20, 30, or 50 years.

Continuing to develop and nurture a labour force comprised of people that are highly trained, creative and innovative is absolutely critical. Manitoba already has a highly educated workforce, so it is in a good starting position. But the province cannot afford to fall behind other provinces, never mind the rest of the world. From a K-12 school system that encourages both scientific literacy and creative thinking to top tier post-secondary institutions, Manitoba's future is dependent on its ability to educate and train its people.

Manitoba must foster creativity and innovation, and build on its capacity for research and development. More importantly, Manitoba should strive to excel at commercialization of research, bringing creative business ideas and innovations to market.

These are not the only things that Manitoba should do, nor will they be easily achieved. If Manitoba truly wants to retain its best and brightest and attract people from other provinces and around the world, it must think big and act bigger. ■

CanadaWest FOUNDATION

Canada West Foundation Head Office:
Suite 900, 1202 Centre Street SE
Calgary, Alberta, Canada T2G 5A5
ph: (403) 264-9535
fax: (403) 269-4776
toll-free: 1-888-825-5293
email: cwf@cwf.ca

British Columbia Office:
Suite 810, 1050 W Pender Street
Vancouver, BC, Canada V6E 3S7
ph: (604) 646-4625
fax: (604) 684-7957
website: www.cwf.ca

CURRENTS is published monthly by the Canada West Foundation. The information contained in this report has been drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does the Canada West Foundation assume any responsibility or liability. Notwithstanding the fact that effort has been made to ensure the accuracy of the information and forecasts contained herein, this report's content should not be construed as financial advice.

CURRENTS is sponsored by Canadian Western Bank. Canadian Western Bank is the largest Schedule I chartered bank with headquarters and principal operations in western Canada.